



## OPEN MEETING AGENDA ITEM

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Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

RE: Arizona Public Service Company (APS or Company)  
Application for Approval of Rates, Charges and Schedules  
Docket No. E-01345A-19-0236

APS was requested to provide a calculation of the revenue requirement impact to the ALJ's Corrected ROO of the Commissioner amendments that were discussed and approved during the Special Open Meeting held in this docket on October 4 through 6, 2021.

Table 1 below shows the revenue requirement impact of each Commissioner amendment separately (for those amendments with revenue requirement impacts).

*Table 1. Revenue Requirement Impact  
Commissioner Amendments to Corrected ROO*

	Amendment Impacts in Millions
ROE/FVI - Olson No. 1	\$ (34.3)
75% Incentive Comp - Kennedy No. 13	\$ (8.5)
D&O Insurance - Olson No. 6	\$ (0.7)
Industry dues - O'Connor No. 4	\$ (1.6)
Cash Working Capital and Taxes*	\$ (1.8)
Total Impact	\$ (46.9)

\*Represents required changes to the Company's cash working capital and tax amounts based on Commissioner amendments.

Table 2 below provides a comprehensive look at the impacts of the above amendments, including the impact of Hearing Division Amendment No. 2, to the Company's overall rate base and revenue requirement in comparison to the Corrected ROO.

*Table 2. Overall Base Rate and Revenue Requirement Impact (\$000)  
Commissioner Amendments to Corrected ROO*

Ln		A	B
		<b>ROO</b>	<b>ROO with Commission Adopted Amendments + Hearing Division Amendment #2</b>
1	OCRB	\$8,325,497	\$8,360,855
2	RCND	\$15,163,369	\$15,198,727
3	FVRB	\$11,744,433	\$11,779,791
4	FVI	\$3,418,936	\$3,418,936
5	TY Operating Revenues	\$3,437,440	\$3,437,439
6	Test Year Operating Income	\$664,843	\$671,848
7	Current Rate of Return on OCRB <i>(line 6 / line 1)</i>	7.99%	8.04%
8	Required Rate of Return on OCRB	6.87%	6.62%
9	Required Operating Income on OCRB <i>(line 1 * line 8)</i>	\$571,962	\$553,489
10	Operating Income Deficiency / (Excess) <i>(Line 9 -Line 6)</i>	(\$92,881)	(\$118,359)
11	Gross Revenue Conversion Factor	1.3346	1.3346
12	Increase in Base Revenue Requirement Based on OCRB <i>(line 10 * line 11)</i>	(\$123,959)	(\$157,960)
13	Required Rate of Return with FVI	4.95%	4.74%
14	FVI Revenue - Grossed Up <i>((line 3 * line 13 - line 9) * line 11)</i>	\$12,528	\$6,504
15	Required Increase/(Decrease) in Base Revenue Requirement <i>(line 14 + line 12)</i>	(\$111,431)	(\$151,456)
16	Required Base Rate Revenue Based on FVRB <i>(line 15 + line 5)</i>	\$3,326,009	\$3,285,984

As shown in the above table, APS calculates its overall change in base revenue requirement as a result of these amendments to be \$(151.46) million (see column B line 15). Overall base revenue requirement change as shown in ALJ Harpring's October 8, 2021 calculations is \$(165.417) million, including the \$6.849 million related to Hearing Division Amendment No. 2.

APS believes that the difference between the ALJ's \$(165.417) million revenue requirement and APS's \$(151.456) million revenue requirement is related to the impact

of Commissioner Kennedy's Amendment No. 13. APS has included the incremental reduction of \$(8.5) million related to the incentive disallowance moving from 50% to 75%. The total incentive disallowance of 75% is \$(22.574) million, which includes the 50% portion already disallowed in the ROO. However, APS observes that if the ROO were inadvertently adjusted for the full amount of incentive disallowance of \$(22.574) million, rather than the incremental amount of disallowance of \$(8.5) million from what was already included in the ROO, that could account for the difference between the two calculations.

Additionally, APS continues to work on calculating the bill impact and developing a bin analysis for Commissioner Kennedy's Amendment No. 2. We now anticipate that analysis will be available this Friday, October 15.

Please let me know if you have any questions.

Sincerely,

/s/ Todd Komaromy

Todd Komaromy  
TK/bgs